

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
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-----010121Z 008593 /72

R 311753Z MAY 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4549
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

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PASS FEDERAL RESERVE BOARD; TREASURY FOR M. RYSS

E.O. 11652: N/A
TAGS: EFIN, UK
SUBJECT: FOREIGN CURRENCY FINANCE SCHEME (ECGD)

1. THE EXPORT CREDIT GUARANTEE DEPARTMENT'S (ECGD'S) FOR
EIGN CURRENCY FINANCE SCHEME, ANNOUNCED IN CHANCELLOR
HEALEY'S DECEMBER 15, 1976 BUDGET MESSAGE (SEE LONDON
8900 AND LONDON 20291, 1976). IS PROGRESSING SLOWLY DES-
PITE THE WIDE PRESS COVERAGE GIVEN TO RECENT CONTRACTS
(SEE LONDON 8259). ECGD SOURCES INDICATE THAT TECHNICAL
PROBLEMS AS WELL AS THE LARGE NUMBER OF CONTRACTS THO
WERE UNDER NEGOTIATION IN STERLING WHEN THE SCHEME WAS IN
TRODUCED' HAVE HELD THE VALUE OF FOREIGN CURRENCY FINANCE
BELOW ANTICIPATION. HOWEVER, IT IS NOW FELT THAT MOST OF
THE PROBLEMS ARE SOLVED, AND DISCUSSIONS ARE CURRENTLY IN
TRAIN ON WAYS TO TIGHTEN THE PROGRAM SUFFICIENTLY TO MEET
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THE BUDGET'S FORECAST SAVINGS OF 100 MILLION POUNDS IN
THE 1977/78 FINANCIAL YEAR AND 200 MILLION POUNDS IN THE
L978/78 FINANCIAL YEAR. THE CURRENT POLICY IS TO REQUIRE
FOREIGN CURRENCY FINANCE OF ALL PROJECTS WITH A VALUE EX-
CEEDING 20 MILLION POUNDS. AND ALL PROJECTS IN SOVIET
BLOC COUNTRIES AND TRADITIONAL DOLLAR AREAS WITH A VALUE
EXCEEDING 5 MILLION POUNDS.

2. SOME OF THE TECHNICAL DIFFICULTIES ARISE FROM ECGD'S ROLE AS A CO-SIGNITORY ON LONG-TERM CREDITS (SEE LONDON A-250), WITH THE PROVISION THAT ECGD WILL REFINANCE DIRECTLY IF THE PRIMARYPRIVATE LENDER CANNOT ROLLTHE CREDIT OVER (FOREIGN CURRENCY LOANS THROUGH THE EUROMARKET ARE TYPICALY AVAILABLE FOR PERIODS OF UP TO 5 TO 7 YEARS. THE ECGD'S SCHEME BEING AN ATTEMPT TO CONVERT SUCH MEDIUM-TERM TO LONG-TERM FINANCE.) U.K BANKS HAVE FOUND THIS ARRANGEMENT SUITABLE, BUT U.S. BANKS ARE STILL WORKING ON SOME OF THE LEGAL PROBLEMS.

3. THE ECGD IS PREPARING TO OFFER SPECIAL INSURANCE TO OVERCOME ANOTHER PROBLEM ARISING FROM FOREIGN CURRENCY TENDERS. A U.K. FIRM SUBMITTING A FIRM PRICE BID MAY NOT KNOW WHETHER IT WILL RECEIVE THE CONTRACT UNTIL SOME TIME AFTER THE BID IS SUBMITTED. IN THE EVENT THE CONTRACT IS LOST. IT IS LIKELY THAT FOREIGN EXCHANGE RECEIPTS THAT ARE COVERED FORWARD WILL NOT MATERIALIZE. IN THE EVENT THE CONTRACT IS WON. FOREIGN EXCHANQE RECEIPTS THAT ARE NOT COVERED WILL HAVE A DIFFERENT STERLING VALUE WHEN THE CONTRACT IS ENTERED INTO THAN WHEN THE BID WAS SUBMITTED. THE ECGD IS PREPARING TO OFFER EXPORTERS INSURANCE AGAINST LOSSES OF HOLDING FORWARD FOREIGN EXCHANGE CONTRACTS WHEN THESE CONTRACTS WERE MADE TO COVER POSSIBLE RECEIPTS ARISING FROM A FOREIGN CURRENCY TENDER.

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Message Attributes

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Copy: SINGLE
Sent Date: 31-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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Litigation History:
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TAGS: EFIN, UK
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